

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Implementation of the Subscriber Carrier)
Selection Changes Provisions of the)
Telecommunications Act of 1996)
)
Policies and Rules Concerning Unauthorized)
Changes of Consumers' Long Distance Carriers)

CC Docket No. 94-129

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby respectfully submits its reply to comments filed on June 13, 2000 regarding the proposal to require resellers to obtain carrier identification codes (CICs). Sprint continues to believe that the public interest benefits of this proposal are so significant as to outweigh the cost to individual carriers: an increased ability to correctly and immediately identify the end user's service provider; decrease in the incidence of soft slams; expansion in the range of services a reseller can provide (dial-around services, split-PIC accounts); and proper branding of reseller traffic.¹ Parties who oppose the reseller CIC proposal cite LEC switch limitations, the potential for CIC exhaustion, the impact on competition in the interexchange market, and the efficacy of existing regulations, as reasons to reject this proposal. As Sprint explains below, these factors have been insufficiently documented or are otherwise manageable, and thus do not constitute compelling justification for rejection of the reseller CIC proposal.

¹ See, e.g., Comments of Sprint; Virginia State Corporation Commission; Pennsylvania Office of Consumer Advocate; NTCA; and GVNW.

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1. LEC Switch Limitations

Several LECs state that certain switch types do not have the capacity to handle all 10,000 possible 4-digit CICs.² However, these LECs do not provide any information as to the number of switches with CIC capacity limitations they have deployed; where those switches are deployed; the number of CICs currently activated in those switches; whether the demands of a modern network are sufficiently strong as to require the replacement of those switches in the near future; or the cost to replace or enhance existing switches. Although these parties complain that they do not know how many switchless resellers operate in their territory, either currently or in the future (*see, e.g.*, Bell Atlantic, p. 4), it seems reasonable to assume that most of these lower capacity switches will be in end offices that have or will have relatively few reseller customers. Thus, it seems likely that the issue of LEC switch limitations is, in most cases, simply a red herring.

2. CIC Exhaustion

Several parties express concern that the reseller CIC requirement would lead to premature CIC exhaust.³ The need to conserve this valuable resource is a valid concern. However, the industry is nowhere near a jeopardy situation as regards 4-digit CICs. To date, approximately 1328 4-digit CICs have been assigned; there are 670 codes left in the 5000-6000 series alone, and assignment from the other 4-digit series has not even begun yet. Furthermore, if CIC exhaust seems to be an imminent threat, the Commission could direct the NANPA to reclaim CICs from entities which have in excess of the maximum recommended number.

² *See, e.g.*, GTE, p. 4; Bell Atlantic, p. 4; USTA, p. 6; SBC, p. 4.

³ *See, e.g.*, AT&T, p. 3; SBC, p. 1; ASCENT, p. 20.

3. Impact on Competition in the Interexchange Market

Various parties assert that a reseller CIC requirement would “dramatically thin the ranks of smaller competitive providers of interexchange service” (ASCENT, p. 2), and would constitute a barrier to entry in the long distance market (*see, e.g.*, WorldCom, p. 5; AT&T, p. 4). Sprint believes that such claims of financial disaster are overstated.

The three largest facilities-based interexchange carriers provided estimates of the nonrecurring cost to activate a CIC *nationwide*: \$650,000 to \$750,000 (Sprint, p. 2); \$750,000 to \$1 million (WorldCom, p. 5); and “at least \$2 million” (AT&T, p. 5).⁴ To the extent that a carrier is sufficiently large as to have a nationwide presence, it is not at all clear that the quoted nonrecurring costs for nationwide CIC activation would drive such carriers out of business.

More to the point, however, it is highly unlikely that a small or even mid-sized IXC (categories into which the vast majority of resellers apparently fall) would choose to deploy its CIC on a nationwide basis as an initial matter, if ever. As GVNW states (p. 9), “...switchless resellers typically regionalize their initial service offerings and very few reseller CICs are loaded in every tandem, let alone every end office.” A regional reseller would incur CIC activation costs far below the nationwide total cost. For example, the cost to activate a CIC in certain LATAs is as low as a few hundred dollars;⁵ such non-recurring charges are likely to be relatively inconsequential to even the 20% of ASCENT’s members with annual revenues of \$5 million or less (ASCENT, p. 8).

⁴ The Sprint and WorldCom estimates are based on local service provider charges incurred; AT&T does not document the basis of its estimate.

⁵ For example, as of April 2000, Sprint charged less than \$500 to arrange for the activation of a CIC in the following LATAs: 376, 550, 624, 822, 927, 928, 929, 937, 938, 960, 961 and 980.

Sprint continues to believe that CIC activation costs are a legitimate cost of doing business, and that it is not in the public interest for the Commission to shield certain service providers from these costs. However, Sprint is not unsympathetic to assertions that such costs may pose a hardship to certain carriers. Therefore, we would not oppose implementation of measures to help reduce any financial hardship experienced. For example, payments could be stretched out over some period of time,⁶ and the Commission could initiate an investigation to ensure that the nonrecurring charges assessed are reasonably cost-based.

4. Efficacy of Existing Regulation at Preventing Soft Slams

Finally, various parties question whether soft slamming is a problem of any significance, and, if it is, whether existing regulations are sufficient to address the problem. As discussed briefly below, soft slamming is indeed a problem, but, more importantly, it is only one problem which can be effectively addressed by a reseller CIC requirement. Further, while other regulations may help to address the problem of soft slamming, their efficacy is as yet unproven.

ASCENT states that soft slams are “relatively insignificant” (p. 3), and questions whether slamming by resellers is even a problem, asserting (p. 5) that the majority of slamming complaints received by the FCC were attributable to AT&T, WorldCom, Sprint, and several other carriers. ASCENT concludes and that “the vast bulk of the non-facilities-based IXC’s...have not contributed in any significant way to the slamming problem....”

⁶ To further alleviate the financial impact of CIC activation costs, the Commission could consider waiving the CIC activation requirement in areas where a reseller has only *de minimis* traffic and where the

Footnote continued on next page

The picture painted by ASCENT is hardly accurate. As an initial matter, Sprint would agree that soft slams are relatively small – but hardly insignificant -- as a percentage of total slamming complaints – approximately 11% in Sprint’s case.⁷ However, the misidentification of Sprint as the carrier which initiated an unauthorized conversion is far higher. Sprint’s internal data indicate that over 41% of all slamming complaints served on Sprint by the Commission between May 1999-April 2000 were actually attributable to a reseller using Sprint’s CIC (*id.*); this figure has been considerably higher during different time periods. It has been Sprint’s experience that many of the consumers who complain about having been slammed are angry not only at the unauthorized conversion, but also about the difficulty in identifying who the responsible party was and the number of calls they needed to place before they could get to the bottom of the problem.⁸ Requiring switchless resellers to obtain their own CIC would allow the LEC to identify the long distance service provider immediately and accurately, to the enormous benefit of the affected consumer.

ASCENT’s reliance upon Commission slamming complaints served (p. 5) is also misleading. Carriers with the largest customer bases are those most likely to be served with the highest number of complaints, based on simple arithmetic. However, the largest facilities-based IXC’s have a far lower incidence of slamming as a percentage of revenues than do resellers, and as noted above, facilities-based IXC’s’ slamming statistics are

underlying carrier agrees to allow the reseller to use the underlying carrier’s CIC.

⁷ See Sprint Comments, p. 2. This figure represents only the unauthorized switch of a Sprint customer by a Sprint reseller; Sprint does not track slams of a reseller customer by Sprint, or slams by one Sprint reseller of the customer of another Sprint reseller.


⁸ It is common for a consumer to contact his LEC to find out why his long distance service was switched; the LEC will refer the consumer to the IXC whose CIC is listed in the LEC records; the IXC may then refer the consumer to the reseller or to the reseller’s billing agent.

further inflated by inclusion of complaints attributable to resellers using the IXCs' CIC. Sprint agrees with ASCENT that stricter oversight of and directing remedial actions towards bad actors are fully warranted. However, these corrective actions occur after the fact; requiring resellers to obtain their own CICs offers the significant public benefit of helping to avoid undesirable situations (slamming and customer confusion) from the onset.

Finally, various parties assert that the new truth in billing requirements and slamming rules make the reseller CIC requirement unnecessary.⁹ It may be of true that these new regulations will be of some avail in helping consumers to identify the carrier which slammed them, or perhaps even to discourage slamming. However, the efficacy of these rules remains to be seen and if there are additional tools whose benefits outweigh their costs -- such as a reseller CIC requirement -- the Commission should adopt such tools to further the public interest.

Respectfully submitted,

SPRINT CORPORATION

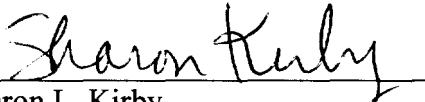

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⁹ See, e.g., AT&T, p. 6; WorldCom, p. 9; GTE, p. 5; USTA, p. 6.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments of Sprint Corporation in CC Docket No. 94-129 was sent by United States first-class mail, postage prepaid, or by hand, on this 20th day of June, 2000 to the parties on the following list.


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